Measures to prevent recurrence of financial scams

†485. SHRI MOTILAL VORA: Will the Minister of FINANCE be pleased to state:

(a) the date on which the scam in Satyam computer had come in to the notice of Government;

(b) the loss incurred by the company due to manipulations of records by the managers;

(c) whether the auditors of the company have been found responsible for this;

(d the action taken by Government against the culprits;

(e) the steps taken by Government to check this kind of cheating with the investors by other companies in future;

(f) whether Government would develop any particular system to check such financial scams by giant companies; and

(g) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) The irregularities in the accounts of Satyam Computer Services Ltd. were brought out in the email sent on January 7, 2009 by Shri B. Ramalinga Raju, erstwhile Chairman of the company to certain stock exchanges and others disclosing information that the statements of accounts of the company provided to stock exchanges were not true and fair.

(b) The above mentioned e-mail claimed that for the quarter ending September 30, 2008, the company had an actual operating margin of Rs.61 crore against the earlier reported figure of Rs.649 crore.

(c) and (d) Various agencies including Serious Fraud Investigation Office, Securities and Exchange Board of India, Andhra Pradesh state CID, etc. are investigating into possible violation of various Acts, Rules and Regulations administered by the respective agencies. In particular, SEBI is investigating possible violations of SEBI Act 1992, SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 and SEBI (Prohibition of Insider Trading) Regulations, 1992 among other. SEBI has also ordered inspection of the documents available with the Auditors. Besides, books, records and documents of the company are being examined. SEBI has completed examining and recording statements of both Raju brothers (promoters).

(e) to (g) Based on the recommendations of the Advisory Committee on Disclosures and Accounting Standards (SCODA) on January 9, 2009, SEBI had asked market participants to undertake peer review of the working papers (relating to financial statements of listed entities) of auditors in respect of the companies constituting the NSE—Nifty 50, the BSE Sensex and some listed companies outside the Sensex and Nifty chosen on a random basis. The peer review will be undertaken by a SEBI prepared panel of auditors. Further SEBI has issued necessary amendments to provide for "event based" as well as "periodic disclosures" about pledging of shares by promoters.

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†Original notice of the question was received in Hindi.